

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2012 and 2011

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Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the
Liberal Memorial Library
Liberal, Kansas 67901

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberal Memorial Library, Liberal, Kansas, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board Members of the
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Liberal, Kansas 67901

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberal Memorial Library, as of December 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and 16 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hay•Rice & Associates, Chartered

June 18, 2013

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

As management of the Liberal Memorial Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Liberal Memorial Library for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 8.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Library's financial statements. The financial statements are designed to provide readers with a broad overview of the Library's finances. One of the most important questions asked about the Library's finances is, "Is the Library as a whole better off or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in fund equity report information about the Library in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The balance sheet presents information on all of the Library's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of revenues, expenses, and changes in fund equity presents information showing how the Library's fund equity changed during the most recent fiscal year. All changes in fund equity are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The financial statements report on the function of the Library that is principally supported by intergovernmental revenues. The Library's function is to provide a library for the City of Liberal and the surrounding area, which is funded primarily with tax revenues levied by the City of Liberal on the Library's behalf.

Government-Wide Financial Statements vs. Fund Financial Statements

The Library maintains one governmental fund to account for all its functions. The governmental fund type financial statements represent both the government-wide financial statements, as well as the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the amounts provided in the financial statements. The notes to the financial statements can be found on pages 10 through 14 of this report.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,020,724.
- The Library had property tax revenues of \$561,005, intergovernmental revenues of \$30,244, program revenues (charges for services) of \$26,834 and program expenses of \$621,333 for the year ended December 31, 2012.
- The cash balance at December 31, 2012 was \$536,927 representing an increase of \$47,983 from January 1, 2012.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2012, the Library's investment in capital assets for its governmental activities was \$493,345 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Liberal Memorial Library's capital assets can be found in Note 5 on page 12.

Financial Analysis

A comparative analysis of current and prior year balances follows:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Total assets	\$1,613,870	\$1,578,566
Total liabilities	593,147	595,265
Total fund equity	1,020,724	983,302
Total revenue	658,755	638,137
Total expenses	621,333	606,368
Net increase (decrease) in net assets	37,422	31,769
Cash and cash equivalents	536,927	488,944

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Library's budget for the 2012 fiscal year:

Enhance new and existing programs

Increasing cost of materials

Employment of adequate staff members

Contacting the Library's Financial Management

The financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Liberal Memorial Library, 519 N. Kansas, Liberal, Kansas 67901, or call (620) 626-0180.

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Statement 1

STATEMENTS OF NET ASSETS
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 536,927	\$ 488,944
Taxes receivable	583,598	583,598
Capital assets	1,406,345	1,383,778
<u>Less – Accumulated depreciation</u>	<u>(913,000)</u>	<u>(877,754)</u>
Total Assets	<u>\$1,613,870</u>	<u>\$1,578,566</u>
 <u>Liabilities</u>		
Accounts payable	\$ 2,158	\$ 5,950
Accrued salaries	7,391	5,717
Deferred revenue	<u>583,598</u>	<u>583,598</u>
Total Liabilities	<u>\$ 593,147</u>	<u>\$ 595,265</u>
 <u>Net Assets</u>		
Unrestricted	\$ 527,379	\$ 477,278
Invested in capital assets	<u>493,345</u>	<u>506,024</u>
Total Net Assets	<u>\$1,020,724</u>	<u>\$ 983,302</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY
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Statement 2

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Expenditure/Expenses</u>		
Library Operations:		
Personal services	\$ 335,825	\$ 318,062
Commodities	89,821	80,324
Contractual services	160,441	174,136
Depreciation	<u>35,246</u>	<u>33,846</u>
Total program expenses	\$ 621,333	\$ 606,368
 <u>Program Revenues</u>		
Charges for services	<u>26,834</u>	<u>24,759</u>
Net program expenses	\$ <u>594,499</u>	\$ <u>581,609</u>
 <u>General Revenues</u>		
Property taxes	\$ 561,005	\$ 551,690
Intergovernmental	22,750	22,750
Investment earnings	2,063	2,295
Gifts and bequests	20,814	1,162
Miscellaneous	7,368	7,195
Grants	<u>17,921</u>	<u>28,286</u>
Total general revenues	\$ <u>631,921</u>	\$ <u>613,378</u>
Increase in Net Assets	\$ 37,422	\$ 31,769
Net Assets, Beginning of the Year	<u>983,302</u>	<u>951,533</u>
Net Assets, End of the Year	\$ <u>1,020,724</u>	\$ <u>983,302</u>

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Liberal Memorial Library is a municipal organization governed by an appointed board. The Liberal Memorial Library is a related municipal entity of the City of Liberal, Kansas. There are no related municipal entities of the Liberal Memorial Library.

Basis of Accounting

The Library has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, resulting in financial statements presented on the accrual basis of accounting.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Note 2: Stewardship, Compliance and Accountability

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds, unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments, such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

Budget authorizations are not required for the State Aid, Gift and Bequest, Capital Improvements or Capital Projects Funds.

Schedule 1 presents budgetary comparisons of the General Fund.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011
(Continued)

Note 3: Cash and Time Deposits

Cash on hand, demand and time deposits are shown in aggregate in accordance with the provisions of KSA 12-1671 and 12-1672.

Time deposits are carried at cost, plus accrued interest. The carrying amount of these deposits are included in the financial statement as "cash and time deposits".

In accordance with KSA 9-1402 and KSA 12-1675, the Library Board deposited their funds with First National Bank, Liberal, Kansas.

The following coverage was provided at December 31, 2012:

First National Bank:			
Carrying value – Book value	\$536,927		
Balance per bank statements		\$544,629	
FDIC			\$500,000
Depository security			\$370,962
Funds at risk			<u>-</u>

Note 4: Accounts Receivable

Generally, the only stated receivables would be as follows:

- 1 – Available Library Fund balance at year end limited to the budget appropriation on hand with the City Treasurer.
- 2 – Any reimbursements due from the Library System and from other individuals.
- 3 – Balances due on state contractual agreements at year end.

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011
(Continued)

Note 5: Statement of Changes in General Fixed Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 28,000	\$ -	-	\$ 28,000
Building	122,680	-	-	122,680
Building addition	550,794	-	-	550,794
Improvements	209,336	1,621	-	210,957
Furnishings and Equipment:				
Office furniture and equipment	379,471	19,757	-	399,228
Shelving, etc.	76,611	1,189	-	77,800
Audio-visual equipment	<u>16,886</u>	<u>-</u>	<u>-</u>	<u>16,886</u>
Total Current Year	\$1,383,778	<u>\$ 22,567</u>	<u>-</u>	\$1,406,345
<u>Less</u> – Accumulated depreciation	<u>(877,754)</u>			<u>(913,000)</u>
Net Capital Assets	<u>\$ 506,024</u>			<u>\$ 493,345</u>

Note 6: Compensated Absences/Uncompensated Absences

Liabilities for compensated absences have been inventoried at the end of the year and adjusted, if applicable, to current salary cost.

Upon termination, an employee shall not be paid for any accumulated unused compensatory or sick leave time. Therefore, no liability has been recorded.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011
(Continued)

Note 7: Defined Benefit Pension Plan

Plan Description

The Liberal Memorial Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

KSA 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The employer rate established by statute for calendar year 2012 is 7.34%. The Liberal Memorial Library contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$33,517, \$28,828 and \$21,821, respectively, equal to the statutory required contributions for each year.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011
(Continued)

Note 8: Reconciliation of Difference Between Governmental Fund Statement and the Statement of Net Assets

Fund balance, Schedule 1	\$ 373,977
Fund balance – State aid	42,973
Fund balance – I.L.L. Development Fund	-
Addition of net capital assets	<u>603,774</u>
 Net assets, Statement 1	 <u>\$1,020,724</u>

Note 9: Subsequent Events

The Liberal Memorial Library's management has evaluated events and transactions through June 18, 2013, the date which the financial statements were available to be issued.

LIBERAL MEMORIAL LIBRARY
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SUPPLEMENTAL SCHEDULES
For the years ended December 31, 2012 and 2011

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 1

GOVERNMENTAL FUND
STATEMENTS OF REVENUE AND EXPENDITURES
COMPARED WITH BUDGET ESTIMATES
For the years ended December 31, 2012 and 2011

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Revenue</u>				
Appropriation from City:				
Library Fund	\$561,006	\$583,598	\$ (22,592)	\$551,690
Library System	6,971	-	6,971	6,435
Fines, fees and xerox	26,834	18,000	8,834	24,759
Gift and Bequest	20,814	15,000	5,814	1,162
Miscellaneous	396	-	396	760
Interest	2,063	3,000	(937)	2,295
Grants	<u>40,671</u>	<u>31,440</u>	<u>9,231</u>	<u>51,036</u>
Total revenue	<u>\$658,755</u>	<u>\$651,038</u>	<u>\$ 7,717</u>	<u>\$638,137</u>
<u>Expenditures</u>				
Salaries	\$335,825	\$349,399	\$ 13,574	\$318,062
Payroll taxes	25,834	33,743	7,909	24,496
Health/Life insurance	46,591	62,156	15,565	52,491
Books/Foreign language	42,211	51,000	8,789	33,975
Building maintenance	8,579	16,163	7,584	7,500
Periodicals and reference	5,280	6,250	970	5,042
Supplies and postage	12,413	10,000	(2,413)	12,648
Utilities and phone	26,824	25,100	(1,724)	24,924
Computer expense	-	7,000	7,000	107
Continuing education and travel	1,443	9,824	8,381	5,320
Insurance	8,987	14,152	5,165	7,998
Retirement	20,997	17,735	(3,262)	17,813

The notes to the financial statements are an integral part of this statement.

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 1
(Continued)

GOVERNMENTAL FUND
STATEMENTS OF REVENUE AND EXPENDITURES
COMPARED WITH BUDGET ESTIMATES
For the years ended December 31, 2012 and 2011

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
<u>Expenditures (Continued)</u>			<u>(Under)</u>	<u>Actual</u>
Miscellaneous	3,367	5,000	1,633	1,526
Service contracts	14,269	7,196	(7,073)	15,669
Travel and entertainment	6,511	-	(6,511)	1,480
Professional fees	3,503	4,000	497	3,328
Bibliofile/Microforms	78	350	272	237
Advertising/Marketing	357	-	(357)	104
Programs	8,868	8,000	(868)	5,397
Audio-visual	12,011	13,000	989	15,989
Interlibrary loan postage	800	2,000	1,200	816
Bank charges	173	-	(173)	81
Grants	1,166	-	(1,166)	17,519
Depreciation expense	<u>35,246</u>	<u>-</u>	<u>(35,246)</u>	<u>33,846</u>
Total expenditures	<u>\$621,333</u>	<u>\$642,068</u>	<u>\$ 20,735</u>	<u>\$606,368</u>
Revenue over (under) expenditures	\$ 37,422			\$ 31,769
Fund Balances, January 1	<u>336,555</u>			<u>304,786</u>
Fund Balances, December 31	<u>\$373,977</u>			<u>\$336,555</u>

The notes to the financial statements are an integral part of this statement.